

Substantial Amendment to the 2016–2020 North Carolina Consolidated Plan and Program Year 2019 Annual Action Plan to include CARES Act Funding for CDBG, ESG, and HOPWA (FINAL as of June 30, 2020)

Summary: The State of North Carolina’s 2016-2020 Consolidated Plan details the funding strategy for the Community Development Block Grant (CDBG), HOME Investment Partnership Program (HOME), Emergency Solutions Grant (ESG), and Housing Opportunities for Persons with AIDS (HOPWA). The Annual Action Plan (AAP) details each year within the North Carolina Consolidated Plan and outlines the implementation of annual funding, which is developed through public input, analyses, and planning. In 2019, the State of North Carolina submitted the PY2019 AAP to the U.S. Department of Housing and Urban Development (HUD). Additionally, the State of North Carolina’s Citizen Participation Plan (CPP) describes the efforts that the State will take to encourage its residents to participate in developing these plans. The plan also includes the public process when a substantial amendment to the Annual Plan is proposed.

Amendments to the approved Consolidated Plan are required whenever a jurisdiction makes one or more of the following decisions:

- (1) Make a change in its allocation priorities or a change in the method of distribution of funds;
- (2) Carry out an activity, using funds from any program covered by the Consolidated Plan (including program income), not previously described in the action plan; or
- (3) Change the purpose, scope, location, or beneficiaries of an activity.

This Substantial Amendment addresses the appropriation of \$111, 777,683 and possible additional funding based on need as determined by the federal government from HUD to the State of North Carolina through the Coronavirus Aid, Relief, and Economic Security Act (CARES Act), Public Law 116-136 to allow funding for activities to prevent, prepare for, or respond to the Coronavirus. Specifically, North Carolina’s amendment will:

- Add the supplemental awards and program activities for CDBG, ESG, and HOPWA provided by the CARES Act to the PY2019 AAP;
- Modify the CDBG Method of Distribution for the CDBG-CV program; and
- Include unexpended funds from pre-2019 program years for the HOPWA program to use for COVID-19 related activities.

Citizen Participation Plan Process: Due to COVID-19, HUD has issued guidance that waives the Citizen Participation Plan requirements provided that: (1) no fewer than five days are provided for public comment and (2) reasonable notice and the opportunity to comment is provided. The public comment period began on **Friday, June 19, 2020** with the posting on the North Carolina Commerce website and distribution by e-mail to program stakeholders to inform the public of the proposed Substantial Amendment and inviting comments through **Tuesday, June 23, 2020**.

Citizens may review the Substantial Amendment and the Citizen Participation Plan at www.nccommerce.com or may request a hard copy, if needed. All comments received during the public comment period will be incorporated into the final Substantial Amendment submitted to HUD.

Note: After the public comment period began on June 19, 2020, HUD notified NC Commerce that the original 30-day posting for the HOPWA amendment to use previous years' unspent funds could be reduced to five days; therefore, the HOPWA pre-2019 funding post concluded on June 23, 2020.

Changes to the 2019 Annual Action Plan: HUD has awarded supplemental funding through the CARES Act that requires programming within one program year. The State of North Carolina has selected the Program Year 2019 Annual Action Plan to expedite the receipt of CARES Act funds and the implementation of the programs.

The State of North Carolina has received supplemental funding through the CARES Act for the following programs: Community Development Block Grant Coronavirus (CDBG-CV), Emergency Solutions Grant Coronavirus (ESG-CV), and Housing Opportunities for Persons with Aids Coronavirus (HOPWA-CV). HUD has notified the State that additional funds may be provided for each category depending on a formula determined by HUD pertaining to state COVID-19 related metrics. The additional programming and substantial funding increase from the CARES Act depicted in the chart below require a substantial amendment and public notice as described in the Citizen Participation Plan.

Proposed Activity Budget Modifications for Program Year 2019

Funding Source	Ending Date	Existing Budget	New Budget
<i>Increase Funding/Programming</i>			
CDBG-CV Round 1	9/30/2027	New Funding-N/A	\$28,517,231
CDBG-CV Round 2	9/30/2027	New Funding-N/A	\$28,363,678
CDBG-CV Subtotal			\$56,880,909
ESG-CV Round 1	6/30/2022	New Funding-N/A	\$18,423,179
ESG-CV Round 2	6/30/2022	New Funding-N/A	\$35,948,234
ESG-CV Subtotal			\$54,371,413
HOPWA-CV	5/31/2023	New Funding-N/A	\$525,361
TOTAL ALL CARES Act Funding			\$111,777,683

Proposed Activity Changes by Program

Substantial Changes for CDBG/CDBG-CV 2019 AAP

The North Carolina Department of Commerce, Rural Economic Development Division, as the designated administrator of the State of North Carolina CDBG and CDBG-CV programs amends the program activity to use the CARES Act funding to fund public assistance activities which includes payments to assist with short-term emergency rental and utility payments, public facilities which includes broadband infrastructure, and special economic development assistance to small businesses with 100 or fewer employees which includes microenterprises (i.e., businesses with five or fewer employees, including the owner(s)). North Carolina plans to use the current CDBG Method of Distribution to directly fund units of local government; however, NC Commerce will also work closely with the NC Department of Health and Human services to access an existing network of non-profit providers to expedite critical public service activities, especially subsistence payments. To date, the CDBG-CV program has received two rounds of

CARES Act funding totaling \$56,880,909. A portion of the funds, to be established by HUD, will be used for the administrative costs incurred by the State and its grantees.

***NOTE:** On June 29, 2020, HUD notified NC Commerce that the waiver request that would allow CDBG funds to be directly awarded to an existing network of non-profit providers was not approved. HUD may reconsider the request following the publishing of the Federal Register pertaining to the CARES Act.*

Substantial Changes for ESG/ESG-CV 2019 AAP

The North Carolina Department of Health and Human Services (NC DHHS), as the administrator of the North Carolina Emergency Solutions Grant (ESG) proposes a Substantial Amendment to the 2016-2020 State of North Carolina Consolidated Plan and the PY2019 AAP to add the newly released ESG CARES Act (ESG-CV) supplemental award making funding available in the FY 2019 program year.

In response to the COVID-19 pandemic, the U.S. Department of Housing and Urban Development (HUD) has allocated \$54,371,413 to the North Carolina ESG Program. A portion, 10% or \$5,437,141.30 is allowed for administrative costs incurred by the State or subrecipients that are units of local government. The Substantial Amendment to the 2016-2020 Consolidated Plan will allow ESG-CV funding to be distributed to current ESG subrecipients and/or eligible organizations who may apply for CARES Act Funding. ESG funds are part of a larger Community Development Block Grant (CDBG) funding package in partnership with the North Carolina Department of Commerce.

ESG-CV funds are to be used to prevent, prepare for, respond and mitigate the effects of the Coronavirus pandemic (COVID-19) among individuals and families who are literally homeless, may become homeless or currently receiving homeless assistance. The funds will also support additional homeless assistance and homelessness prevention activities to further mitigate the impacts of COVID-19.

ESG-CV funds will be used to conduct the following activities:

Emergency Response Activities (COVID-19)

1. Street Outreach
 - Engaging COVID 19 impacted homeless individuals and families living on the street
2. Emergency shelter
 - Improving the number and quality of COVID-19 impacted emergency shelters for homeless individuals and families;
 - Supporting operating cost for COVID-19 impacted emergency shelters;
 - Providing essential services to COVID-19 impacted emergency shelter residents

Housing Stability Activities (COVID-19)

1. Rapid Rehousing
 - Rapidly Rehouse COVID-19 impacted homeless individuals and families
 - Provide Financial Assistance and Services to COVID-19 impacted individuals and families.
2. Homeless Prevention
 - Preventing COVID -19 impacted families and individuals from becoming homeless.
 - Provide Financial Assistance and Services to COVID-19 impacted individuals and families

HMIS/DV Comparable Database (COVID-19)

- Participation, expansion, and administration

All current subrecipients receiving ESG funding and eligible organizations wishing to participate to better serve the homeless population in their community will be invited to participate. With substantial input from Continuums of Care, stakeholders, NCDHHS and the public, the ESG office and its partners will look for innovative ways in which we can help resolve the effects of this pandemic as well as enhance and share existing programs that have experienced success. Programs such as Back@Home, a state funded rapid re-housing program that was responsible for assisting persons who were homeless as a result of the effects of Hurricane Florence.

Substantial Changes for HOPWA/HOPWA-CV 2019 AAP, 2011-2015 Consolidated Plan, and 2016-2010 Consolidated Plan to Use Pre-2019 Unspent Allocations for COVID-19

The North Carolina Department of Health and Human Services, as the administrator of the State of North Carolina federal Housing Opportunities for Persons with AIDS Program (HOPWA) intends to amend the State of North Carolina Consolidated Plans for years 2011-2015 and 2016-2020 in order to expend unspent allocations of funds from FY 2014-2020; and to add the CARES Act HOPWA supplemental award for the Housing Opportunity for Persons with AIDS Coronavirus (HOPWA-CV) Program for the PY2019 AAP. These funds will be used to conduct the following activities:

- To assist HOPWA eligible households in accessing essential services and supplies such as food, water, medications, medical care, and information;
- To educate assisted households on ways to reduce the risk of getting sick or spreading infectious diseases such as COVID-19 to others;
- To provide transportation services for eligible households, including costs for privately-owned vehicle transportation when needed, to access medical care, supplies, and food or to commute to places of employment;
- To provide nutrition services for eligible households in the form of food banks, groceries, and meal deliveries;
- To provide lodging at hotels, motels or other locations to quarantine HOPWA-eligible persons or their household members for a period of up to 60 days using HOPWA funds or up to 6 months using CARES Act funding;
- To provide short-term rent, mortgage, and utility (STRMU) assistance payments to prevent homelessness of a tenant or mortgagor of a dwelling for a period of up to 21-weeks during a benefit period using HOPWA funds or up to 24 months using CARES Act funding;
- Operating costs associated with services related to approved HOPWA activities; and
- Emergency/minor rehabilitation costs for HOPWA facilities or units.

The total amount to be committed in unspent PY 2014, 2015, 2016, 2017, and 2018 funds is \$2,892,524.67. To accomplish this, NC DHHS amends the HOPWA portion of the PY 2014, 2015, 2016, 2017, 2018, AND 2019 Annual Action Plans.

The total amount to be committed for the CARES Act HOPWA Coronavirus award is \$525,361.00 in one-time funding.

Public Comment Period: The State of North Carolina provided a five-day public comment period beginning on **Friday, June 19, 2020** with the posting on the North Carolina Commerce website and distribution by e-mail to program stakeholders to inform the public of the proposed Substantial Amendment and inviting comments through **Tuesday, June 23, 2020**. Please note that, in addition to the public, NC DHHS encouraged input from Regional Networks of Care, Housing, Social Services, Non-profits, and faith-based communities.

Note: After the public comment period began on June 19, 2020, HUD notified NC Commerce that the original 30-day posting for the HOPWA amendment to use previous years' unspent funds could be reduced to five days; therefore, the HOPWA pre-2019 funding post concluded on June 23, 2020.

The Substantial Amendment and NC Plan Partners Citizen Participation Plan is available on the North Carolina Commerce website at www.nccommerce.com. Comments and questions were submitted:

By e-mail to Valerie.Moore@nccommerce.com or by mail to:

North Carolina Department of Commerce
Rural Economic Development Division
Attn: Valerie D. Moore, Public Comment
4346 Mail Service Center,
Raleigh, NC 27699-4346.

Public Comments Summary: Valerie D. Moore of NC Commerce served as the public comment coordinator and received the attached six written comments, input from the teleconference meetings with the communities, and several inquiries during the public comment period. A summary of the comments are as follows:

- (1) **Method of Distribution to Include Regional Non-profits:** The Substantial Amendment shared the goal to work with the NCDHHS to access nonprofits to fulfill public service activities eligible under CDBG-CV. In response, three Council of Government requested to receive and administer CDBG-CV funds as a regional administrator or to be added to the NC DHHS list of non-profits. This model cannot be considered at this time. The State submitted a waiver request to allow awards to be given directly to non-profits. HUD notified the State on June 29, 2020 that CDBG-CV waivers are not being accepted until HUD publishes a written notice that will define CDBG-CV waiver activities.
- (2) **Concerns Pertaining to the ESG Rapid Rehousing and Prevention Model:** The Substantial Amendment identified the NC DHHS plan to use a rapid rehousing and prevention model like the one used for disaster recovery called Back@Home. Two written comments expressed concerns about insufficient input from Continuums of Care and local governments regarding this approach. Per HUD's guidance, ESG-CV did not require a public comment period; however, NC DHHS provided courtesy responses to the commenters.

- (3) **Request to Use CDBG-CV to Assist Conover Businesses:** The Substantial Amendment noted that CDBG-CV funds will be used for public infrastructure and special economic development assistance to small businesses. One written response was received requesting \$8.6 million in CDBG-CV funding to construct a 30,000sf facility and purchase testing equipment for the Manufacturing Solutions Center (MSC). The State will finalize and notify potential applicants of the CDBG-CV program guidelines upon approval of the Substantial Amendment; therefore, this comment cannot be considered at this time.
- (4) **COVID-19 Teleconference Meetings with Communities:** In addition to the Substantial Amendment public comment period, NC Commerce planners from the NC Main Street and Rural Planning Center and the NC Appalachian Regional Commission held 100 virtual meetings with local governments. The 230 meeting participants represented all 100 counties. These meetings were held between April 20 and May 14, 2020. The meetings shared information about CDBG-CV and identified the most significant COVID-19 challenges and needs for the communities. Several local governments contacted the State CDBG staff and provided more details regarding needs. This information was used to develop the preliminary draft program guidelines for the CDBG-CV funds. The final report is included in the final document in the Citizens Participation Summary.